

Q2-2019 Commentary

Sentry Precious Metals Fund

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PERFORMANCE SUMMARY

- In the second quarter of 2019, Series F of Sentry Precious Metals Fund (the “Fund”) returned 3.9% compared with the S&P/TSX Global Gold Index, which was up 13.1% over the same period.
- The Fund underperformed its benchmark during the period largely as a result of stock selection, in particular an overweight allocation to Australian mining company **Dacian Gold Ltd.** and to **Guyana Goldfields Inc.**

CONTRIBUTORS TO PERFORMANCE

- **Semafo Inc.** is a Canada-based mining company with gold production and exploration activities in West Africa. Its share price rose after the company reported strong first-quarter 2019 operating results, including a successful ramp-up at its Boungou mine. It also reported exploration success at its Bantou project.
- Canada-based mining company **TMAC Resources Inc.** holds 100% interest in the Hope Bay project, a 1,101-square-kilometre gold property in Nunavut. The company’s stock performed well after it reported positive operating results during the first quarter of 2019, showing improving gold recovery and grade. The company also restructured its debt, improving its near-term liquidity.

DETRACTORS FROM PERFORMANCE

- **Guyana Goldfields** is a Canadian company that owns and operates the Aurora gold mine in Guyana. After it revised its modelled reserves lower in the fourth quarter of 2018, the market was awaiting an updated mine plan. It was released in the first quarter of 2019, but failed to impress, with the company’s share price coming under further pressure in the second quarter. Guyana Goldfields was de-indexed during the quarter, which created supply pressure for its shares.
- **Dacian Gold** is an Australian gold producer that owns and operates the Mount Morgans gold mine in Western Australia. The holding detracted from the Fund’s performance after the company significantly downgraded its 2019 and 2020 production forecasts on operational issues and lower-than-expected gold grades.

PORTFOLIO ACTIVITY

- We added a new position in **K92 Mining Inc.**, an emerging junior gold company with production expected to grow from 70,000 ounces in 2019 to 120,000 ounces in 2020 at low all-in sustaining costs. The company is

based in Vancouver, Canada and owns and operates the high-grade Kainantu Gold Mine in Papua New Guinea.

- The Fund’s holding in **Dacian Gold** was eliminated as a result of poor operational performance and decreased confidence in the company’s management.

MARKET OUTLOOK

- Declining interest rates, such as the 10-year U.S. Treasury yield falling below 2% and over US\$13 trillion in global sovereign bonds in negative yields, are positive developments for the price of gold.
- The U.S. dollar also declining has provided a boost for U.S.-dollar-priced gold, which has rebounded to new six-year highs.
- We see opportunities in mid-capitalization growth- and deep value-oriented issuers that are currently mis-priced because of poor liquidity. As capital flows into precious metals equities, we expect liquidity to improve and valuation divergences to converge.

FUND	1 YEAR	3 YEAR	5 YEAR	10 YEAR	S.I.*
Sentry Precious Metals Fund, Series F	-4.9%	-8.6%	-0.3%	2.9%	8.1%
S&P/TSX Global Gold Index	16.4%	-3.6%	3.3%	-2.5%	1.9%

* Inception date of Sentry Precious Metals Fund, Series F: July 28, 2005.

Sources: Morningstar Research Inc., Bloomberg L.P. and Sentry Investment Management, as at June 30, 2019.

All returns are total returns, stated in Canadian dollars, unless otherwise stated. Fund returns are for Series F, net of fees, all distributions reinvested. The S&P/TSX Global Gold Index is both broadly representative and an investable index, such that it can be used as a leading benchmark of global gold portfolios and as a basis for innovative, index-linked investment vehicles.

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